

City of Mount Pleasant

**Independent Auditor's Report
Management's Discussion and Analysis
Financial Statements and Supplementary Information
Independent Auditor's Report on Internal Control and Compliance
Schedule of Findings and Questioned Costs**

June 30, 2009

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City of Mount Pleasant

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------|----------------------|---------------------|
| John Freeland | Mayor | December 31, 2009 |
| Mike McKim | Council Member | December 31, 2011 |
| Steve Engberg | Council Member | December 31, 2011 |
| Matthew Crull | Council Member | December 31, 2011 |
| Joe Beames | Council Member | December 31, 2009 |
| Stan Curtis | Council Member | December 31, 2009 |
| Bob Griffith | Council Member | December 31, 2009 |
| Brent Schleisman | City Administrator | Not Elected |
| Florence Olomon | City Clerk/Treasurer | Not Elected |
| Tammy Detrick | Deputy Clerk | Not Elected |
| Terry Sammons | Chief of Police | Not Elected |
| Stewart Kinney | Fire Chief | Not Elected |



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Independent Auditor's Report

Honorable Mayor and Members of City Council of
the City of Mount Pleasant, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mount Pleasant, Iowa (City), as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above include only the primary government of the City, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City as of June 30, 2009, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 28, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 4 through 9 and budgetary comparison information on pages 24 and 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's primary government financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other supplementary information, as listed in the table of contents, including the accompanying Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CPA Associates PC

December 28, 2009

City of Mount Pleasant Management's Discussion and Analysis

The City of Mount Pleasant (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 110%, or approximately \$7,579,000, from fiscal 2008 to fiscal 2009. Current year's revenues include general obligation bond proceeds of \$7,400,000 for street, park and public safety improvements.
- Disbursements increased 125%, or approximately \$8,938,000 in fiscal 2009 from fiscal 2008. Capital projects increased due to various street projects and debt service increased due to the paying off of the \$5,000,000 bond.
- The City's total cash basis net assets decreased 13.76%, or approximately \$1,551,000 from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased approximately \$1,671,000 and the assets of business type activities increased approximately \$120,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government wide statement by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison to the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sewer and solid waste system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains the Enterprise Funds to provide information for the sewer and solid waste funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$9.48 million to \$7.81 million. The analysis that follows focuses on the changes in cash balance for governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands) | Year Ended June 30, | |
|---|---------------------|-----------------|
| | <u>2009</u> | <u>2008</u> |
| Receipts: | | |
| Program receipts: | | |
| Charges for services | \$ 256 | \$ 287 |
| Operating grants, contributions and restricted interest | 816 | 876 |
| Capital grants, contributions and restricted interest | 893 | 585 |
| General receipts: | | |
| Property tax | 1,799 | 1,719 |
| Local option sales tax | 758 | 769 |
| Tax increment financing | 521 | 509 |
| Debt service | 991 | 947 |
| Unrestricted interest on investments | 284 | 450 |
| Bond proceeds | 7,400 | - |
| Other general receipts | <u>705</u> | <u>702</u> |
| Total receipts | <u>14,423</u> | <u>6,844</u> |
| Disbursements: | | |
| Public safety | 1,226 | 1,092 |
| Public works | 545 | 762 |
| Culture and recreation | 1,127 | 1,112 |
| Community and economic development | 739 | 295 |
| General government | 714 | 616 |
| Debt service | 8,878 | 1,534 |
| Capital projects | <u>2,865</u> | <u>1,745</u> |
| Total disbursements | <u>16,094</u> | <u>7,156</u> |
| Change in cash basis net assets before transfers | (1,671) | (312) |
| Transfers, net | <u>-</u> | <u>-</u> |
| Change in cash basis net assets | (1,671) | (312) |
| Cash basis net assets beginning of year | <u>9,484</u> | <u>9,796</u> |
| Cash basis net assets end of year | <u>\$ 7,813</u> | <u>\$ 9,484</u> |

The City's total receipts for governmental activities, including bond proceeds, increased by 110%, or \$7,579,000. The total cost of all programs and services increased by approximately \$8,938,000 or 125%, with no new programs added this year.

The cost of all governmental activities this year was \$16.09 million compared to \$7.16 million last year. However, as shown in the Statement of Activities and Net Assets on page 10, the amount taxpayers ultimately financed for these activities was only \$14.13 million because some of the cost was paid by those directly benefited from the programs (\$255,700) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,709,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$14,129,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

| Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands) | Year Ended June 30, | |
|--|---------------------|-----------------|
| | 2009 | 2008 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service: | | |
| Sewer | \$ 1,553 | \$ 1,834 |
| Solid waste | 327 | 325 |
| General receipts: | | |
| Unrestricted interest on investments | 12 | 69 |
| Miscellaneous receipts | <u>5</u> | <u>9</u> |
| Total receipts | <u>1,897</u> | <u>2,237</u> |
| Disbursements: | | |
| Sewer | 1,457 | 2,228 |
| Solid waste | <u>320</u> | <u>333</u> |
| Total disbursements | <u>1,777</u> | <u>2,561</u> |
| Change in cash basis net assets before transfers | 120 | (324) |
| Transfers, net | <u>-</u> | <u>-</u> |
| Change in cash basis net assets | 120 | (324) |
| Cash basis net assets beginning of year | <u>1,780</u> | <u>2,104</u> |
| Cash basis net assets end of year | <u>\$ 1,900</u> | <u>\$ 1,780</u> |

Total business type activities receipts for the fiscal year were \$1.90 million compared to \$2.24 million last year. This decrease was due primarily to the decrease of sewer receipts. The cash balance increased by approximately \$120,000 from the prior year primarily because of the decrease in sewer disbursements.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$1,206,600, a decrease of \$145,700 from the prior year. The decrease is largely due to the increase public safety disbursements.

- The Local Option Sales Tax increased by \$779,300 to \$1,226,000 at year end. No transfers were made in current year to other funds.
- The Capital Projects cash balance decreased by \$2,448,000 to \$4,018,000 at year end, due to the construction of numerous streets included in our five year capital improvement plan.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The cash balance of the Enterprise Funds increased by approximately \$121,000 to \$1,900,000. Most of this increase is due to the decrease in sewer operating and sewer debt service disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The amendments were approved on March 25, 2009 and May 27, 2009 and the second amendment resulted in an increase in revenues of approximately \$538,000 and an increase in disbursements of approximately \$11,089,000. Revenue increases included intergovernmental, charges for services, other city taxes, use of money and property and miscellaneous. Expenditures increases included public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects.

The City continued its aggressive street reconstruction, reconstructing approximately 17 blocks of city streets along with the construction of two new parking lots downtown, creating over 50 parking spaces.

DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$20,838,000 in bonds and other long-term debt, compared to approximately \$22,255,000 last year, as shown below.

| Outstanding Debt at Year End (Expressed in Thousands) | June 30, | |
|--|------------------|------------------|
| | 2009 | 2008 |
| General obligation bonds | \$ 9,765 | \$ 10,725 |
| Revenue bonds | 9,398 | 9,855 |
| Urban renewal tax increment financing | <u>1,675</u> | <u>1,675</u> |
| Total | <u>\$ 20,838</u> | <u>\$ 22,255</u> |

The City continues to carry a general obligation bond rating of A3, assigned by national rating agencies to the City's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding combined general obligation debt and urban renewal tax increment financing revenue bonds of \$11.44 million is below its constitutional debt limit of approximately \$18 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2010 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the County now stands at 8.8 percent compared to 6.4 percent in June 2008. The City's cash balance is in good shape.

The City is currently concentrating on street improvements and streetscaping to enhance our current neighborhoods.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the City Clerk, City of Mount Pleasant, 220 W. Monroe St, Mount Pleasant, Iowa 52641.

BASIC FINANCIAL STATEMENTS

City of Mount Pleasant
Statement of Activities and Net Assets - Cash Basis
As of and for the Year Ended June 30, 2009

| | Program Receipts | | | | Net (Disbursements) Receipts and Changes in Cash Basis Net Assets | | |
|---|----------------------|------------------------|--|--|--|---------------------------------|---------------------|
| | Disbursements | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | Governmental Activities | Business- Type Activities | Total |
| Functions / Programs: | | | | | | | |
| Governmental activities: | | | | | | | |
| Public safety | \$ 1,226,576 | \$ 29,579 | \$ 58,162 | \$ - | \$ (1,138,835) | \$ - | \$ (1,138,835) |
| Public works | 544,929 | - | 726,069 | - | 181,140 | - | 181,140 |
| Culture and recreation | 1,126,608 | 188,367 | 32,262 | - | (905,979) | - | (905,979) |
| Community and economic development | 739,541 | - | - | 666,833 | (72,708) | - | (72,708) |
| General government | 713,633 | 37,738 | - | - | (675,895) | - | (675,895) |
| Debt service | 8,877,801 | - | - | - | (8,877,801) | - | (8,877,801) |
| Capital projects | 2,864,662 | - | - | 225,745 | (2,638,917) | - | (2,638,917) |
| Total government activities | <u>16,093,750</u> | <u>255,684</u> | <u>816,493</u> | <u>892,578</u> | <u>(14,128,995)</u> | <u>-</u> | <u>(14,128,995)</u> |
| Business type activities: | | | | | | | |
| Sewer | 1,456,825 | 1,553,080 | - | - | - | 96,255 | 96,255 |
| Solid waste | 319,649 | 327,271 | - | - | - | 7,622 | 7,622 |
| Total business type activities | <u>1,776,474</u> | <u>1,880,351</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>103,877</u> | <u>103,877</u> |
| Total | <u>\$ 17,870,224</u> | <u>\$ 2,136,035</u> | <u>\$ 816,493</u> | <u>\$ 892,578</u> | <u>(14,128,995)</u> | <u>103,877</u> | <u>(14,025,118)</u> |
| General Receipts: | | | | | | | |
| Property tax levied for: | | | | | | | |
| General purposes | | | | | 1,799,276 | - | 1,799,276 |
| Tax increment financing | | | | | 520,920 | - | 520,920 |
| Debt service | | | | | 990,999 | - | 990,999 |
| Local option sales tax | | | | | 758,044 | - | 758,044 |
| Other city taxes | | | | | 243,537 | - | 243,537 |
| Unrestricted investment earnings | | | | | 284,194 | 11,890 | 296,084 |
| Bond proceeds | | | | | 7,400,156 | - | 7,400,156 |
| Transfers | | | | | - | - | - |
| Miscellaneous | | | | | 461,367 | 4,890 | 466,257 |
| Total general receipts and transfers | | | | | <u>12,458,493</u> | <u>16,780</u> | <u>12,475,273</u> |
| Change in cash basis net assets | | | | | (1,670,502) | 120,657 | (1,549,845) |
| Cash basis net assets beginning of year | | | | | <u>9,484,065</u> | <u>1,779,587</u> | <u>11,263,652</u> |
| Cash basis net assets end of year | | | | | <u>\$ 7,813,563</u> | <u>\$ 1,900,244</u> | <u>\$ 9,713,807</u> |
| Cash Basis Net Assets | | | | | | | |
| Restricted: | | | | | | | |
| Streets | | | | | \$ 704,450 | \$ - | \$ 704,450 |
| Sales tax | | | | | 1,226,246 | - | 1,226,246 |
| Debt service | | | | | 429,245 | 62,801 | 492,046 |
| Other purposes | | | | | 246,276 | 1,589,382 | 1,835,658 |
| Unrestricted | | | | | <u>5,207,346</u> | <u>248,061</u> | <u>5,455,407</u> |
| Total cash basis net assets | | | | | <u>\$ 7,813,563</u> | <u>\$ 1,900,244</u> | <u>\$ 9,713,807</u> |

See notes to financial statements.

City of Mount Pleasant
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2009

| | Special Revenue | | | | | | Other Nonmajor | |
|--|---------------------|-------------------|---------------------|-------------------|--------------------|---------------------|-------------------|---------------------|
| | General | Road Use | Sales Tax | TIF | Debt Service | Capital Projects | Governmental | Total |
| Receipts: | | | | | | | | |
| Property tax | \$ 1,799,276 | \$ - | \$ - | \$ - | \$ 990,999 | \$ - | \$ - | \$ 2,790,275 |
| Tax increment financing collections | - | - | - | 520,920 | - | - | - | 520,920 |
| Other taxes | 243,537 | - | 758,044 | - | - | - | - | 1,001,581 |
| Use of money and property | 97,670 | - | 9,764 | 1,887 | - | 254,507 | 2,359 | 366,187 |
| License and permits | 30,457 | - | - | - | - | - | - | 30,457 |
| Intergovernmental | 65,443 | 726,069 | - | - | - | 225,745 | 592,497 | 1,609,754 |
| Charges for services | 186,189 | - | - | - | - | - | 7,672 | 193,861 |
| Special assessments | 217 | - | - | - | - | - | - | 217 |
| Miscellaneous | 364,339 | - | - | - | - | 109,989 | 35,512 | 509,840 |
| Total receipts | <u>2,787,128</u> | <u>726,069</u> | <u>767,808</u> | <u>522,807</u> | <u>990,999</u> | <u>590,241</u> | <u>638,040</u> | <u>7,023,092</u> |
| Disbursements: | | | | | | | | |
| Operating: | | | | | | | | |
| Public safety | 1,226,576 | - | - | - | - | - | - | 1,226,576 |
| Public works | 20,480 | 524,449 | - | - | - | - | - | 544,929 |
| Culture and recreation | 805,048 | - | - | - | - | - | 321,560 | 1,126,608 |
| Community and economic development | 114,666 | - | - | 45,097 | - | - | 579,778 | 739,541 |
| General government | 527,548 | 186,085 | - | - | - | - | - | 713,633 |
| Debt service | - | - | - | - | 8,877,801 | - | - | 8,877,801 |
| Capital projects | - | - | - | - | - | 2,864,662 | - | 2,864,662 |
| Total disbursements | <u>2,694,318</u> | <u>710,534</u> | <u>-</u> | <u>45,097</u> | <u>8,877,801</u> | <u>2,864,662</u> | <u>901,338</u> | <u>16,093,750</u> |
| Excess (deficiency) of receipts over disbursements | <u>92,810</u> | <u>15,535</u> | <u>767,808</u> | <u>477,710</u> | <u>(7,886,802)</u> | <u>(2,274,421)</u> | <u>(263,298)</u> | <u>(9,070,658)</u> |
| Other financing sources (uses): | | | | | | | | |
| Bond proceeds | 7,400,156 | - | - | - | - | - | - | 7,400,156 |
| Operating transfers in (out) | (7,638,696) | - | 11,481 | (368,696) | 7,923,437 | (174,042) | 246,516 | - |
| Total other financing sources (uses) | <u>(238,540)</u> | <u>-</u> | <u>11,481</u> | <u>(368,696)</u> | <u>7,923,437</u> | <u>(174,042)</u> | <u>246,516</u> | <u>7,400,156</u> |
| Net change in cash balances | (145,730) | 15,535 | 779,289 | 109,014 | 36,635 | (2,448,463) | (16,782) | (1,670,502) |
| Cash balances beginning of year | <u>1,352,373</u> | <u>688,915</u> | <u>446,957</u> | <u>116,085</u> | <u>167,511</u> | <u>6,466,950</u> | <u>245,274</u> | <u>9,484,065</u> |
| Cash balances end of year | <u>\$ 1,206,643</u> | <u>\$ 704,450</u> | <u>\$ 1,226,246</u> | <u>\$ 225,099</u> | <u>\$ 204,146</u> | <u>\$ 4,018,487</u> | <u>\$ 228,492</u> | <u>\$ 7,813,563</u> |
| Cash Basis Fund Balances | | | | | | | | |
| Reserved for debt service | \$ - | \$ - | \$ - | \$ 225,099 | \$ 204,146 | \$ - | \$ - | \$ 429,245 |
| Unreserved: | | | | | | | | |
| General fund | 1,206,643 | - | - | - | - | - | - | 1,206,643 |
| Special revenue fund | - | 704,450 | 1,226,246 | - | - | - | 228,492 | 2,159,188 |
| Capital projects fund | - | - | - | - | - | 4,018,487 | - | 4,018,487 |
| Total cash basis fund balances | <u>\$ 1,206,643</u> | <u>\$ 704,450</u> | <u>\$ 1,226,246</u> | <u>\$ 225,099</u> | <u>\$ 204,146</u> | <u>\$ 4,018,487</u> | <u>\$ 228,492</u> | <u>\$ 7,813,563</u> |

See notes to financial statements.

City of Mount Pleasant
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2009

| | Enterprise Funds | | | | |
|--|--------------------------|------------------------------------|-------------------------------|------------------------|---------------------|
| | <u>Sewer Revenue</u> | <u>Sewer Plant Improvement</u> | <u>Sewer Sinking Fund</u> | <u>Solid Waste</u> | <u>Total</u> |
| Operating receipts: | | | | | |
| Charges for services | \$ 1,553,080 | \$ - | \$ - | \$ 327,271 | \$ 1,880,351 |
| Total operating receipts | <u>1,553,080</u> | <u>-</u> | <u>-</u> | <u>327,271</u> | <u>1,880,351</u> |
| Operating disbursements: | | | | | |
| Business type activities | <u>704,175</u> | <u>-</u> | <u>-</u> | <u>319,649</u> | <u>1,023,824</u> |
| Total operating disbursements | <u>704,175</u> | <u>-</u> | <u>-</u> | <u>319,649</u> | <u>1,023,824</u> |
| Excess (deficiency) of receipts over disbursements | <u>848,905</u> | <u>-</u> | <u>-</u> | <u>7,622</u> | <u>856,527</u> |
| Non-operating receipts (disbursements): | | | | | |
| Interest on investments | 10,913 | - | - | 977 | 11,890 |
| Miscellaneous | 4,282 | - | - | 608 | 4,890 |
| Debt service | <u>-</u> | <u>-</u> | <u>(752,650)</u> | <u>-</u> | <u>(752,650)</u> |
| Net non-operating receipts (disbursements) | <u>15,195</u> | <u>-</u> | <u>(752,650)</u> | <u>1,585</u> | <u>(735,870)</u> |
| Operating transfers in (out) | <u>(904,665)</u> | <u>192,000</u> | <u>712,665</u> | <u>-</u> | <u>-</u> |
| Net change in cash balances | (40,565) | 192,000 | (39,985) | 9,207 | 120,657 |
| Cash balances beginning of year | <u>58,423</u> | <u>1,397,382</u> | <u>102,786</u> | <u>220,996</u> | <u>1,779,587</u> |
| Cash balances end of year | <u>\$ 17,858</u> | <u>\$ 1,589,382</u> | <u>\$ 62,801</u> | <u>\$ 230,203</u> | <u>\$ 1,900,244</u> |
| Cash Basis Fund Balances | | | | | |
| Reserved for equipment replacement | \$ - | \$ 1,589,382 | \$ - | \$ - | \$ 1,589,382 |
| Reserved for debt service | - | - | 62,801 | - | 62,801 |
| Unreserved | <u>17,858</u> | <u>-</u> | <u>-</u> | <u>230,203</u> | <u>248,061</u> |
| Total cash basis fund balances | <u>\$ 17,858</u> | <u>\$ 1,589,382</u> | <u>\$ 62,801</u> | <u>\$ 230,203</u> | <u>\$ 1,900,244</u> |

See notes to financial statements.

City of Mount Pleasant
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Mount Pleasant (City) is a political subdivision of the State of Iowa located in Henry County. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, community and economic development and general government services. The City also provides solid waste and sewer utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and 1) the ability of the City to impose its will on that organization or 2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Mount Pleasant (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although their operational or financial relationship with the City is significant.

Excluded Component Units

Mount Pleasant Municipal Utilities is a component unit of the City of Mount Pleasant. The City Council appoints the Board of Trustees of the Mount Pleasant Utilities. However, since Mount Pleasant Municipal Utilities operates under the accrual method of accounting and the City operates under the cash method of accounting, this component unit has not been presented in the accompanying financial statements. The financial statements of the Municipal Utilities are available at the utilities office, 509 North Adams Street, Mount Pleasant, Iowa.

Mount Pleasant Public Library Foundation (Foundation) is a component unit of the City of Mount Pleasant. The Foundation, a separate legal entity, exists for the purpose of attracting funds to benefit the Public Library which serves the Mount Pleasant area and to disburse those funds in a manner which will benefit the Library. The Foundation meets the definition of a component unit since it raises funds on behalf of the Library. The financial statements of Mount Pleasant Public Library Foundation have not been audited and, accordingly, this component unit has not been presented in the accompanying primary government audited financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Mount Pleasant Area Development Commission, Henry County Conference Board, Henry County 911 Board, Southeast Iowa Regional Planning Commission, Henry County Emergency Management Commission, Henry County Street & Road Classification Board and Des Moines County Regional Solid Waste Commission.

City of Mount Pleasant
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund (TIF) is used to account for urban renewal projects financed by tax increment financing.

City of Mount Pleasant
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Special Revenue (continued):

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste collection system.

The Sewer Funds account for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

The budget adopted includes the City and the Mount Pleasant Municipal Utilities (component unit). However, for purposes of these financial statements, only the portion applicable to the City is included.

Subsequent Events

The City performed an evaluation of subsequent events through December 28, 2009. There have been no subsequent events that occurred that would require disclosure or recognition in the financial statements as of June 30, 2009.

City of Mount Pleasant
Notes to Financial Statements

Note 2. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$110,534, \$102,495, and \$103,831, respectively, equal to the required contributions for each year.

International City Management Association (ICMA)

The Iowa Public Employees Retirement System regulations allows City Administrators to exempt themselves from participating in the state retirement system. Therefore, the City has made a retirement contribution to the ICMA retirement system for the City Administrator which allows a contribution up to 25% of salary with a maximum of \$12,000. For the years ended June 30, 2009, 2008, and 2007, these contributions totaled \$6,136, \$5,361, and \$4,205, respectively.

Note 3. Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing bonds, and sewer revenue bonds are as follows:

| Year Ending June 30, | <u>General Obligation Bonds</u> | | <u>Urban Renewal Tax Increment Financing Bonds</u> | |
|----------------------------|---------------------------------|---------------------|--|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$ 1,020,000 | \$ 347,630 | \$ - | \$ 67,095 |
| 2011 | 780,000 | 298,011 | 100,000 | 67,095 |
| 2012 | 780,000 | 273,070 | 100,000 | 63,496 |
| 2013 | 790,000 | 247,695 | 100,000 | 59,896 |
| 2014 | 830,000 | 220,797 | 100,000 | 56,296 |
| 2015-2019 | 4,100,000 | 710,281 | 645,000 | 220,360 |
| 2020-2023 | <u>1,465,000</u> | <u>108,873</u> | <u>630,000</u> | <u>68,140</u> |
| | <u>\$ 9,765,000</u> | <u>\$ 2,206,357</u> | <u>\$ 1,675,000</u> | <u>\$ 602,378</u> |

City of Mount Pleasant
Notes to Financial Statements

Note 3. Bonds and Notes Payable (continued)

| Year Ending June 30, | <u>Sewer Revenue Bond</u> | | <u>Total</u> | |
|----------------------------|---------------------------|---------------------|----------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$ 471,000 | \$ 338,618 | \$ 1,491,000 | \$ 753,343 |
| 2011 | 485,000 | 319,814 | 1,365,000 | 684,920 |
| 2012 | 500,000 | 300,394 | 1,380,000 | 636,960 |
| 2013 | 516,000 | 280,325 | 1,406,000 | 587,916 |
| 2014 | 531,000 | 259,656 | 1,461,000 | 536,749 |
| 2015-2019 | 2,895,000 | 962,063 | 7,640,000 | 1,892,704 |
| 2020-2024 | 3,283,000 | 408,870 | 5,378,000 | 585,883 |
| 2025 | <u>717,000</u> | <u>21,510</u> | <u>717,000</u> | <u>21,510</u> |
| | <u>\$ 9,398,000</u> | <u>\$ 2,891,250</u> | <u>\$ 20,838,000</u> | <u>\$ 5,699,985</u> |

The Code of Iowa requires principal and interest on general obligation bonds to be paid from the Debt Service Fund.

Urban Renewal Tax Increment Financing Revenue Bonds

The urban renewal tax increment financing bonds were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The notes and bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not general obligations of the City, however the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$2,277,378, payable through 2023. For the current year, interest paid and total TIF receipts were \$67,095 and \$520,920, respectively. Among the requirements of these issues is the City maintain a reserve fund equal to the lesser of the maximum annual amount of the principal and interest coming due on the bonds or 10 percent of the stated principal amount of the bonds. On June 30, 2009, the City had a balance of \$167,500 in the reserve fund.

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay two revenue bond issues. The bonds were issued April 1998 and November 2005. Proceeds from the notes provided financing for the construction of several sewer system projects. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$12,289,250. For the current year, principal and interest paid and total customer net receipts were \$752,650 and \$848,905, respectively.

The resolutions providing the issuance of the sewer revenue bond include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Monthly transfers equal to a sum of one-twelfth of the principal of all the Sewer Revenue Bonds maturing on the next maturity date plus one-sixth of the interest coming due on the next interest payment date shall be made to the Sewer Revenue Bond Sinking Fund for the purpose of making bond interest and principal payments when due.

City of Mount Pleasant
Notes to Financial Statements

Note 3. Bonds and Notes Payable (continued)

Revenue Bonds (continued)

- (c) Sewer user charges must be established at a level which produces and maintains net revenues equal to at least 110% of principal and interest requirements due in the same year.
- (d) The City is in compliance with the Sewer Revenue Debt Service Reserve Account and Sewer Improvement Account requirements as stated in the revenue bond resolutions.

Note 4. Cash and Investments

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the City or the agent of the City in the City's name.

Note 5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2009, primarily relating to the General Fund, is \$143,700.

City employees accumulate sick leave up to a maximum of 90 days. If not used, this sick leave is otherwise lost except upon retirement when an employee may convert up to 30 days of unused sick leave to separation pay. The maximum liability to the City at June 30, 2009 was \$481,600.

Police Department employees accumulate holiday time. The maximum liability to the City at June 30, 2009 was \$128.

The above liabilities have been computed based on rates of pay as of June 30, 2009.

City of Mount Pleasant
Notes to Financial Statements

Note 6. Risk Management

The City of Mount Pleasant is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administration expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contribution to the Pool for the year ended June 30, 2009 was approximately \$155,800.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability for risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each accident, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

City of Mount Pleasant
Notes to Financial Statements

Note 6. Risk Management (continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workmen's compensation and various types of liability insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7. Related Party Transactions

The City has business transactions between the City and City officials totaling \$2,023 during the year ended June 30, 2009. The Mount Pleasant Municipal Utility Company pays the City on an annual basis for use of the facilities. This amounted to \$100,000 for the year ended June 30, 2009 and is included as revenue in the general fund.

Note 8. Commitments

In the normal course of business, the City has various outstanding commitments that are not reflected in the accompanying financial statements. The principal commitments of the City at June 30, 2009 are as follows:

| | |
|------------------------|---------------------|
| Police Department | \$ 1,059,479 |
| Downtown Gateway | 158,449 |
| Street construction | 1,722,683 |
| T-Hangar Access Paving | <u>246,351</u> |
| | <u>\$ 3,186,962</u> |

City of Mount Pleasant
Notes to Financial Statements

Note 9. Conduit Debt Obligations

The City has, in the past, assisted in several issues of industrial revenue bonds, issued for the purposes of constructing privately-owned manufacturing and other related facilities within the City. The bonds are not direct or contingent liabilities of the City, as the revenue from lease agreements and property purchased with the bond proceeds are pledged for the total payment of principal and interest on the bonds and the bondholders can only look to these sources for repayment. The following are the original outstanding issues in which the City assisted:

| <u>Company</u> | <u>Type</u> | <u>Year Issued</u> | <u>Amount Issued</u> |
|-------------------------------|-------------|--------------------|--------------------------|
| Metromail, Series A | Revenue | 1980 | \$ 500,000 |
| Metromail, Series B | Revenue | 1980 | 4,000,000 |
| Vega Industries | Revenue | 1981 | 2,865,000 |
| Vega Industries | Revenue | 1981 | 5,000,000 |
| Twin City Corp/Makay Envelope | Revenue | 1982 | 300,000 |
| Twin City Corp/Makay Envelope | Revenue | 1982 | 200,000 |
| Heatilator | Revenue | 1982 | 3,700,000 |
| Pioneer | Revenue | 1983 | 1,000,000 |
| City Carton | Revenue | 1984 | 350,000 |
| Wal-Mart | Revenue | 1984 | 10,000,000 |
| Lomont Molding, Inc. | Revenue | 1985 | 1,400,000 |

The City assumes many of these issues have been repaid, but has been unable to determine actual amounts still remaining at June 30, 2009.

The City has issued \$2,000,000 of Private College Taxable Refunding Bonds and \$2,200,000 of Private College Non-taxable Refunding Bonds pursuant to the provisions of Chapter 419 of the Code of Iowa. Bonds and interest thereon are payable solely out of revenues derived from the financing of the Iowa Wesleyan College project and shall never constitute an indebtedness to the City.

Note 10. Deficit Fund Balance

The HUD Rehab Grant Fund, a nonmajor governmental fund, had a deficit balance of \$17,880 at June 30, 2009. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of annual HUD reimbursements.

Note 11. Operating Lease

The City leases computer equipment for the police department. The lease has a term of three years expiring September 2010, with the option to renew for an additional twelve month period. Lease payments for the year ended June 30, 2009 totaled \$13,829. Future minimum lease payments until the end of the lease term are:

| | |
|------|----------|
| 2010 | \$13,829 |
| 2011 | 3,457 |

**City of Mount Pleasant
Notes to Financial Statements**

Note 12. Donated Electricity and Water

The City is not billed for electricity and water usage or service and materials provided by the Mount Pleasant Municipal Utilities. The meters of the City are read monthly and the resulting amount computed at normal rates is considered to be a donation from the Mount Pleasant Municipal Utilities. During the year ended June 30, 2009, services donated by the Mount Pleasant Municipal Utilities to the City totaled approximately \$191,600 and \$15,100 for the electric and water funds, respectively.

Note 13. Public Safety Agreement

The City has an agreement with Henry County where the County provides dispatching services for the City of Mount Pleasant. The City pays \$10,000 per year and the contract is cancelable by either party. The agreement amount shall be adjusted every three years thereafter by averaging the number of calls for the preceding three years and adjusting the hourly rate to the current hourly compensation rate of the Henry County communications dispatcher.

Note 14. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

| | |
|------------------------|---------------------|
| Transfer to: | |
| Library operations | \$ 246,516 |
| Sewer sinking | 712,665 |
| Sewer improvement | 192,000 |
| Local option sales tax | 11,481 |
| Debt service | <u>7,923,437</u> |
| | <u>\$ 9,086,099</u> |
| Transfer from: | |
| General fund | \$ 7,638,696 |
| Sewer revenue | 904,665 |
| Capital projects | 174,042 |
| TIF funds | <u>368,696</u> |
| | <u>\$ 9,086,099</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 15. Community Betterment Foundation

The City has established a non-endowed donor-advised fund through an agreement with The Greater Cedar Rapids Community Foundation to receive property for public charitable, scientific, literary and educational purposes. The donor retains the privilege of making recommendations to the Foundation's Board of Directors as to charitable distributions of principal from the fund in accordance with specific provisions. At June 30, 2009, this fund has a fair market value of \$35,827.

City of Mount Pleasant
Notes to Financial Statements

Note 16. Other Postemployment Benefits (OPEB)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2009.

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 36 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$369 for single coverage and \$928 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2009, the City contributed \$296,533 and plan members eligible for benefits contributed \$36,841 to the plan.

REQUIRED SUPPLEMENTARY INFORMATION

City of Mount Pleasant
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2009

| | Governmental Funds <u>Actual</u> | Proprietary Fund Type <u>Actual</u> | Less Funds not Required to be Budgeted | <u>Total</u> | <u>Budgeted Amounts</u> | | Final to Total Variance |
|--|--|---|---|---------------------|-------------------------|----------------------|-------------------------------|
| | | | | | <u>Original</u> | <u>Final</u> | |
| Receipts: | | | | | | | |
| Property tax | \$ 2,790,275 | \$ - | \$ - | \$ 2,790,275 | \$ 2,782,888 | \$ 2,782,888 | \$ 7,387 |
| Tax increment financing collections | 520,920 | - | - | 520,920 | 513,500 | 513,500 | 7,420 |
| Other city taxes | 1,001,581 | - | - | 1,001,581 | 895,414 | 931,414 | 70,167 |
| Use of money and property | 366,187 | 11,890 | 2,359 | 375,718 | 353,200 | 338,988 | 36,730 |
| Licenses and permits | 30,457 | - | - | 30,457 | 35,550 | 36,200 | (5,743) |
| Intergovernmental | 1,609,754 | - | - | 1,609,754 | 1,523,160 | 1,756,319 | (146,565) |
| Charges for service | 193,861 | 1,880,351 | - | 2,074,212 | 1,976,463 | 1,989,381 | 84,831 |
| Special assessments | 217 | - | - | 217 | - | 217 | - |
| Miscellaneous | 509,840 | 4,890 | 21,128 | 493,602 | 250,850 | 520,676 | (27,074) |
| Total receipts | <u>7,023,092</u> | <u>1,897,131</u> | <u>23,487</u> | <u>8,896,736</u> | <u>8,331,025</u> | <u>8,869,583</u> | <u>27,153</u> |
| Disbursements: | | | | | | | |
| Public safety | 1,226,576 | - | - | 1,226,576 | 1,177,142 | 1,296,331 | 69,755 |
| Public works | 544,929 | - | - | 544,929 | 595,208 | 605,525 | 60,596 |
| Culture and recreation | 1,126,608 | - | 26,765 | 1,099,843 | 1,098,109 | 1,211,734 | 111,891 |
| Community and economic development | 739,541 | - | 3,334 | 736,207 | 735,891 | 853,216 | 117,009 |
| General government | 713,633 | - | - | 713,633 | 684,288 | 826,101 | 112,468 |
| Debt service | 8,877,801 | - | - | 8,877,801 | 1,503,607 | 8,899,226 | 21,425 |
| Capital projects | 2,864,662 | - | - | 2,864,662 | 2,160,628 | 5,391,245 | 2,526,583 |
| Business type activities | - | 1,776,474 | - | 1,776,474 | 1,959,189 | 1,919,761 | 143,287 |
| Total disbursements | <u>16,093,750</u> | <u>1,776,474</u> | <u>30,099</u> | <u>17,840,125</u> | <u>9,914,062</u> | <u>21,003,139</u> | <u>3,163,014</u> |
| Excess (deficiency) of receipts over disbursements | (9,070,658) | 120,657 | (6,612) | (8,943,389) | (1,583,037) | (12,133,556) | (3,190,167) |
| Other financing sources | <u>7,400,156</u> | <u>-</u> | <u>-</u> | <u>7,400,156</u> | <u>-</u> | <u>7,334,759</u> | <u>65,397</u> |
| Net change in cash balances | (1,670,502) | 120,657 | (6,612) | (1,543,233) | (1,583,037) | (4,798,797) | 3,255,564 |
| Cash balances beginning of year | <u>9,484,065</u> | <u>1,779,587</u> | <u>184,670</u> | <u>11,078,982</u> | <u>14,851,523</u> | <u>14,851,523</u> | <u>(3,772,541)</u> |
| Cash balances end of year | <u>\$ 7,813,563</u> | <u>\$ 1,900,244</u> | <u>\$ 178,058</u> | <u>\$ 9,535,749</u> | <u>\$ 13,268,486</u> | <u>\$ 10,052,726</u> | <u>\$ (516,977)</u> |

See accompanying independent auditor's report.

City of Mount Pleasant
Notes to Required Supplementary Information - Budgetary Reporting
June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, Internal Service, non-expendable trust, and agency funds (when they exist). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$11,089,077. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

City of Mount Pleasant
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2009

| | Library Operations | HUD Special Purpose Grant | HUD Rehab Grant | Iowa Community Disaster Grant | Library Bequests | Old Forest Cemetery | Other Programs | Total |
|--|-----------------------|------------------------------------|-----------------------|--|---------------------|------------------------|-------------------|-------------------|
| Receipts: | | | | | | | | |
| Use of money and property | \$ - | \$ - | \$ - | \$ - | \$ 2,359 | \$ - | \$ - | \$ 2,359 |
| Charges for services | 7,672 | - | - | - | - | - | - | 7,672 |
| Miscellaneous | 6,414 | - | 7,970 | - | 4,524 | 3,531 | 13,073 | 35,512 |
| Intergovernmental | <u>32,262</u> | <u>75,218</u> | <u>481,626</u> | <u>3,391</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>592,497</u> |
| Total receipts | <u>46,348</u> | <u>75,218</u> | <u>489,596</u> | <u>3,391</u> | <u>6,883</u> | <u>3,531</u> | <u>13,073</u> | <u>638,040</u> |
| Disbursements: | | | | | | | | |
| Culture and recreation | 294,795 | - | - | - | 10,685 | 280 | 15,800 | 321,560 |
| Community and economic development | <u>-</u> | <u>15,218</u> | <u>557,835</u> | <u>3,391</u> | <u>-</u> | <u>-</u> | <u>3,334</u> | <u>579,778</u> |
| Total disbursements | <u>294,795</u> | <u>15,218</u> | <u>557,835</u> | <u>3,391</u> | <u>10,685</u> | <u>280</u> | <u>19,134</u> | <u>901,338</u> |
| Excess (deficiency) of receipts over disbursements | <u>(248,447)</u> | <u>60,000</u> | <u>(68,239)</u> | <u>-</u> | <u>(3,802)</u> | <u>3,251</u> | <u>(6,061)</u> | <u>(263,298)</u> |
| Other financing sources (uses): | | | | | | | | |
| Operating transfers in | 246,516 | - | 60,000 | - | - | - | - | 306,516 |
| Operating transfers out | <u>-</u> | <u>(60,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(60,000)</u> |
| Total other | <u>246,516</u> | <u>(60,000)</u> | <u>60,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>246,516</u> |
| Net change in cash balances | (1,931) | - | (8,239) | - | (3,802) | 3,251 | (6,061) | (16,782) |
| Cash balances beginning of year | <u>2,026</u> | <u>-</u> | <u>(9,641)</u> | <u>-</u> | <u>48,773</u> | <u>118,183</u> | <u>85,933</u> | <u>245,274</u> |
| Cash balances end of year | <u>\$ 95</u> | <u>\$ -</u> | <u>\$ (17,880)</u> | <u>\$ -</u> | <u>\$ 44,971</u> | <u>\$ 121,434</u> | <u>\$ 79,872</u> | <u>\$ 228,492</u> |

See accompanying independent auditor's report.

**City of Mount Pleasant
Statement of Indebtedness
Year Ended June 30, 2009**

| <u>Obligation</u> | <u>Date of Issuance</u> | <u>Interest Rates</u> | <u>Amount Originally Issued</u> | <u>Balance Beginning of Year</u> | <u>Issued During Year</u> | <u>Redeemed During Year</u> | <u>Balance End of Year</u> | <u>Interest Paid</u> |
|---|-----------------------------|---------------------------|---|--|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|
| General obligation bonds: | | | | | | | | |
| General purpose | 06/09/00 | 3.69-4.450% | \$ 3,535,000 | \$ 300,000 | \$ - | \$ 100,000 | \$ 200,000 | \$ 13,100 |
| General purpose, Series 2002A | 03/01/02 | 4.00-4.125% | 2,000,000 | 1,050,000 | - | 550,000 | 500,000 | 43,188 |
| General purpose, Series 2003A | 06/02/03 | 3.50-4.300% | 3,000,000 | 2,490,000 | - | 2,490,000 | - | 98,850 |
| General purpose, Series 2003B | 06/02/03 | 3.70-5.000% | 925,000 | 830,000 | - | 100,000 | 730,000 | 37,346 |
| General purpose, Series 2004A | 05/12/04 | 2.40-4.250% | 1,265,000 | 705,000 | - | 140,000 | 565,000 | 24,647 |
| General purpose, Series 2006 | 10/01/06 | 3.30% | 350,000 | 350,000 | - | - | 350,000 | 11,550 |
| General purpose, Series 2007 | 06/01/07 | 4.00% | 5,000,000 | 5,000,000 | - | 5,000,000 | - | 200,000 |
| General purpose, Series 2009A | 04/01/09 | 3.40-3.850% | 5,000,000 | - | 5,000,000 | - | 5,000,000 | - |
| General purpose, Series 2009B | 05/01/09 | 1.00-4.000% | 2,420,000 | - | 2,420,000 | - | 2,420,000 | - |
| | | | | <u>10,725,000</u> | <u>7,420,000</u> | <u>8,380,000</u> | <u>9,765,000</u> | <u>428,681</u> |
| Revenue bonds: | | | | | | | | |
| Sewer Revenue Bond | 04/01/98 | 4.23% | 7,657,000 | 4,973,000 | - | 365,000 | 4,608,000 | 149,190 |
| Sewer Revenue Refunding Bonds Series 2005 | 11/29/05 | 3.00% | 5,110,000 | 4,882,000 | - | 92,000 | 4,790,000 | 146,460 |
| | | | | <u>9,855,000</u> | <u>-</u> | <u>457,000</u> | <u>9,398,000</u> | <u>295,650</u> |
| Urban renewal TIF revenue bonds: | | | | | | | | |
| Sewer, Series 2003C | 06/01/03 | 3.50-4.30% | 1,675,000 | 1,675,000 | - | - | 1,675,000 | 67,095 |
| | | | | <u>1,675,000</u> | <u>-</u> | <u>-</u> | <u>1,675,000</u> | <u>67,095</u> |
| Total | | | | <u>\$ 22,255,000</u> | <u>\$ 7,420,000</u> | <u>\$ 8,837,000</u> | <u>\$ 20,838,000</u> | <u>\$ 791,426</u> |

See accompanying independent auditor's report.

**City of Mount Pleasant
Bond Maturities
June 30, 2009**

| Year Ending June 30, | <u>General Obligation Bonds</u> <u>General Purpose</u> <u>Issued June 9, 2000</u> | | <u>General Obligation Bond</u> <u>Series 2002A</u> <u>Issued March 1, 2002</u> | | <u>General Obligation Bonds</u> <u>Series 2003B</u> <u>Issued June 2, 2003</u> | | <u>General Obligation Bonds</u> <u>Series 2004A</u> <u>Issued May 12, 2004</u> | |
|-------------------------|---|-------------------|--|-------------------|--|-------------------|--|-------------------|
| | <u>Interest Rate</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Amount</u> |
| 2010 | 4.45% | \$ 100,000 | 4.100% | \$ 500,000 | 4.00% | \$ 105,000 | 3.00% | \$ 140,000 |
| 2011 | 4.45% | 100,000 | - | - | 4.25% | 110,000 | 3.30% | 45,000 |
| 2012 | - | - | - | - | 4.50% | 120,000 | 3.60% | 50,000 |
| 2013 | - | - | - | - | 4.80% | 125,000 | 3.70% | 50,000 |
| 2014 | - | - | - | - | 4.90% | 130,000 | 3.85% | 50,000 |
| 2015 | - | - | - | - | 5.00% | 140,000 | 4.00% | 55,000 |
| 2016 | - | - | - | - | - | - | 4.05% | 55,000 |
| 2017 | - | - | - | - | - | - | 4.15% | 60,000 |
| 2018 | - | - | - | - | - | - | 4.25% | 60,000 |
| 2019 | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - | - | - |
| | | <u>\$ 200,000</u> | | <u>\$ 500,000</u> | | <u>\$ 730,000</u> | | <u>\$ 565,000</u> |

| Year Ending June 30, | <u>General Obligation Bonds</u> <u>Refunding Series 2006</u> <u>Issued October 1, 2006</u> | | <u>General Obligation Bonds</u> <u>Series 2009A</u> <u>Issued April 1, 2009</u> | | <u>General Obligation Bonds</u> <u>Series 2009B</u> <u>Issued May 1, 2009</u> | | Total General Obligation Bonds |
|-------------------------|--|-------------------|---|---------------------|---|---------------------|---|
| | <u>Interest Rate</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Amount</u> | |
| 2010 | 3.30% | \$ 20,000 | - | \$ - | 1.00% | \$ 155,000 | \$ 1,020,000 |
| 2011 | 3.30% | 330,000 | 3.40% | 50,000 | 1.20% | 145,000 | 780,000 |
| 2012 | - | - | 3.40% | 475,000 | 1.50% | 135,000 | 780,000 |
| 2013 | - | - | 3.45% | 475,000 | 1.90% | 140,000 | 790,000 |
| 2014 | - | - | 2.60% | 500,000 | 2.20% | 150,000 | 830,000 |
| 2015 | - | - | 2.90% | 525,000 | 2.50% | 155,000 | 875,000 |
| 2016 | - | - | 3.20% | 550,000 | 2.80% | 165,000 | 770,000 |
| 2017 | - | - | 3.40% | 575,000 | 3.00% | 170,000 | 805,000 |
| 2018 | - | - | 3.60% | 600,000 | 3.20% | 180,000 | 840,000 |
| 2019 | - | - | 3.75% | 625,000 | 3.40% | 185,000 | 810,000 |
| 2020 | - | - | 3.85% | 625,000 | 3.60% | 195,000 | 820,000 |
| 2021 | - | - | - | - | 3.90% | 205,000 | 205,000 |
| 2022 | - | - | - | - | 4.00% | 215,000 | 215,000 |
| 2023 | - | - | - | - | 4.00% | 225,000 | 225,000 |
| | | <u>\$ 350,000</u> | | <u>\$ 5,000,000</u> | | <u>\$ 2,420,000</u> | <u>\$ 9,765,000</u> |

See accompanying independent auditor's report.

**City of Mount Pleasant
Bond Maturities
June 30, 2009**

| Year Ending June 30, | <u>Sewer Revenue Refunding Series 98-B&02-C Issued November 29, 2005</u> | | <u>Sewer Revenue Bond State Revolving Funds Entered Into April 1, 1998</u> | | Total Sewer | <u>Urban Renewal Tax Increment Sewer Revenue, Series 2003C Issued June 1, 2003</u> | |
|-------------------------|--|---------------------|--|---------------------|---------------------|--|---------------------|
| | <u>Interest Rate</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Amount</u> | | <u>Interest Rate</u> | <u>Amount</u> |
| 2010 | 3.00% | \$ 91,000 | 4.23% | \$ 380,000 | \$ 471,000 | 3.50% | \$ - |
| 2011 | 3.00% | 89,000 | 4.23% | 396,000 | 485,000 | 3.50% | 100,000 |
| 2012 | 3.00% | 88,000 | 4.23% | 412,000 | 500,000 | 3.50% | 100,000 |
| 2013 | 3.00% | 86,000 | 4.23% | 430,000 | 516,000 | 3.50% | 100,000 |
| 2014 | 3.00% | 83,000 | 4.23% | 448,000 | 531,000 | 3.50% | 100,000 |
| 2015 | 3.00% | 79,000 | 4.23% | 467,000 | 546,000 | 3.60% | 100,000 |
| 2016 | 3.00% | 74,000 | 4.23% | 487,000 | 561,000 | 3.70% | 100,000 |
| 2017 | 3.00% | 70,000 | 4.23% | 508,000 | 578,000 | 3.80% | 140,000 |
| 2018 | 3.00% | 67,000 | 4.23% | 529,000 | 596,000 | 3.90% | 150,000 |
| 2019 | 3.00% | 63,000 | 4.23% | 551,000 | 614,000 | 4.00% | 155,000 |
| 2020 | 3.00% | 618,000 | - | - | 618,000 | 4.00% | 160,000 |
| 2021 | 3.00% | 637,000 | - | - | 637,000 | 4.10% | 170,000 |
| 2022 | 3.00% | 656,000 | - | - | 656,000 | 4.20% | 150,000 |
| 2023 | 3.00% | 676,000 | - | - | 676,000 | 4.30% | 150,000 |
| 2024 | 3.00% | 696,000 | - | - | 696,000 | - | - |
| 2025 | 3.00% | 717,000 | - | - | 717,000 | - | - |
| | | <u>\$ 4,790,000</u> | | <u>\$ 4,608,000</u> | <u>\$ 9,398,000</u> | | <u>\$ 1,675,000</u> |

See accompanying independent auditor's report.

City of Mount Pleasant
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

| | Years Ended June 30, | | | | | | |
|-------------------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|
| | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
| Receipts: | | | | | | | |
| Property tax | \$ 2,790,275 | \$ 2,666,464 | \$ 2,598,300 | \$ 2,743,478 | \$ 2,684,045 | \$ 2,664,877 | \$ 2,233,835 |
| Tax increment financing collections | 520,920 | 508,792 | 357,760 | 211,403 | 293,711 | 365,003 | 327,854 |
| Other city taxes | 1,001,581 | 966,396 | 873,980 | 930,027 | 894,428 | 837,250 | 699,009 |
| Use of money and property | 366,187 | 612,916 | 411,378 | 265,513 | 193,164 | 186,122 | 182,448 |
| Licenses and permits | 30,457 | 37,470 | 69,816 | 38,000 | 40,557 | 73,681 | 34,144 |
| Intergovernmental | 1,609,754 | 1,276,027 | 2,135,387 | 1,446,231 | 2,075,264 | 1,382,920 | 1,891,849 |
| Charges for services | 193,861 | 217,261 | 182,362 | 214,298 | 294,525 | 319,066 | 309,353 |
| Special assessments | 217 | 4,421 | 5,937 | 6,307 | 11,874 | 18,156 | 13,901 |
| Miscellaneous | <u>509,840</u> | <u>554,115</u> | <u>1,483,597</u> | <u>828,290</u> | <u>1,874,589</u> | <u>973,201</u> | <u>235,571</u> |
| Total | <u>\$ 7,023,092</u> | <u>\$ 6,843,862</u> | <u>\$ 8,118,517</u> | <u>\$ 6,683,547</u> | <u>\$ 8,362,157</u> | <u>\$ 6,820,276</u> | <u>\$ 5,927,964</u> |
| Disbursements: | | | | | | | |
| Operating: | | | | | | | |
| Public safety | \$ 1,226,576 | \$ 1,091,768 | \$ 1,684,159 | \$ 1,148,526 | \$ 979,955 | \$ 1,028,699 | \$ 936,670 |
| Public works | 544,929 | 761,693 | 454,133 | 676,375 | 559,937 | 535,225 | 548,659 |
| Health and social services | - | - | - | - | - | 3,000 | 6,000 |
| Culture and recreation | 1,126,608 | 1,112,108 | 1,088,018 | 1,015,235 | 1,034,104 | 1,003,641 | 932,266 |
| Community and economic development | 739,541 | 294,961 | 493,463 | 199,371 | 159,254 | 178,258 | 225,513 |
| General government | 713,633 | 615,915 | 602,292 | 583,228 | 564,557 | 561,336 | 556,393 |
| Debt service | 8,877,801 | 1,534,138 | 1,205,693 | 1,432,832 | 1,789,598 | 3,109,457 | 1,565,410 |
| Capital projects | <u>2,864,662</u> | <u>1,745,042</u> | <u>1,396,665</u> | <u>1,757,334</u> | <u>4,891,719</u> | <u>4,330,866</u> | <u>2,284,249</u> |
| Total | <u>\$ 16,093,750</u> | <u>\$ 7,155,625</u> | <u>\$ 6,924,423</u> | <u>\$ 6,812,901</u> | <u>\$ 9,979,124</u> | <u>\$ 10,750,482</u> | <u>\$ 7,055,160</u> |

See accompanying independent auditor's report.

City of Mount Pleasant
Schedule of Expenditures of Federal Awards
June 30, 2009

| Federal Agency/Pass Through Agency Program - Grant Title | CFDA Number | Grantor Program Number | Program Disbursements |
|---|----------------|------------------------------|--------------------------|
| Indirect: | | | |
| Department of Housing and Urban Development | | | |
| Iowa Department of Economic Development | | | |
| Home Investment Partnerships Program | 14.239 | 07-HM-102-22 | \$ 381,510 |
| Direct: | | | |
| U.S. Department of Transportation | | | |
| Federal Aviation Administration | | | |
| Airport Improvement Program | 20.106 | 3-19-0062-07-2007 | 18,778 |
| Airport Improvement Program | 20.106 | 3-19-0062-09-2009 | 30,970 |
| Highway Planning and Construction | 20.205 | STP-E-5292(607)-8V-44 | 36,854 |
| Department of Housing and Urban Development | | | |
| Special Purpose Grant | 14.197 | IA05SPG503 | 75,218 |
| Department of Homeland Security | | | |
| Assistance to Firefighters Grant | 97.044 | EMW-2007-FO-01925 | <u>51,240</u> |
| | | | <u>\$ 594,570</u> |

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Mount Pleasant and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

Honorable Mayor and
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mount Pleasant, Iowa (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 28, 2009. Our report expressed unqualified opinions on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 and II-B-09 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CPA Associates PC

December 28, 2009



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**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Mount Pleasant, Iowa (City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weakness as defined below. However, as discussed below, we identified a deficiency in internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

CPA Associates PC

December 28, 2009

**City of Mount Pleasant
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs were disclosed by the audit of the financial statements, which is considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:

CFDA Number 14.239 - Department of Housing and Urban Development - Home Investment Partnerships Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) City of Mount Pleasant did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

MATERIAL WEAKNESSES

- II-A-09 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements in accordance with an other comprehensive basis of accounting, nor has management identified risks related to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation - We recognize that with a limited number of office employees, preparation of the financial statements is difficult. However, we recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

City of Mount Pleasant
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part II: Findings Related to the Financial Statements (continued)

Response - The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

- II-B-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

SIGNIFICANT DEFICIENCY

- II-C-09 Credit Cards - The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation - The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response - Although the City has not established a formal written policy detailing specifics on the use of City credit cards, they have unwritten guidelines. The City will review procedures and guidelines and establish a written policy.

Conclusion - Response accepted.

Instances of Non-Compliance:

No matters were reported.

**City of Mount Pleasant
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Part III: Findings and Questioned Costs for Federal Awards

SIGNIFICANT DEFICIENCY:

- III-A-09 Segregation of Duties over Federal Receipts - The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-09.

Instances of Non-Compliance:

No matters were reported.

Part IV: Other Findings Related to Statutory Reporting

- IV-A-09 Official Depositories - A resolution naming official depositories has been adopted by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2009.

- IV-B-09 Questionable Disbursements - Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

| <u>Paid to</u> | <u>Purpose</u> | <u>Amount</u> |
|--------------------------------|----------------|---------------|
| Mt. Pleasant Firefighters Inc. | Donation | \$ 10,914 |

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line drawn between a proper and an improper purpose is very thin.

Recommendation - The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

- IV-C-09 Certified Budget - Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.

- IV-D-09 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**City of Mount Pleasant
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

IV-E-09 Business Transactions - Business transactions between City and City officials are detailed as follows:

| <u>Name, Title, and Business Connection</u> | <u>Transactions</u> | <u>Amount</u> |
|---|---------------------|---------------|
| Stewart Kinney, Fire Chief, wife is owner of Cherished Memories | Jacket | \$ 40 |
| Brent Schleisman, City Administrator, wife is independent contractor | Cleaning services | \$ 1,583 |

In accordance with Chapter 362.5(11) of the Code of Iowa, the transaction does not appear to represent conflicts of interest since total transactions were less than \$2,500 during the fiscal year.

IV-F-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-H-09 Bonds and Revenue Notes - The City has established sinking, reserve and surplus accounts required by the sewer revenue note resolutions.

IV-I-09 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

IV-J-09 Financial Condition - The HUD Rehab Grant Fund had a deficit balance at June 30, 2009 of \$17,880.

Recommendation - We understand that project costs incurred prior to receipt of HUD reimbursements created the deficit in this account. However, the City should monitor the progress of the HUD receipts and disbursements and review the control procedures throughout the collection period.

Response - We will monitor and review.

Conclusion - Response accepted.